NYC HDC

NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

To: The Chairperson and Members

From: Eric Enderlin
President

Date: May 26, 2017

Subject: Approval of FFB Loans for Stevenson Commons and Independence House

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I am pleased to recommend that the Members approve the origination of two FFB loans (each a "Loan" and together, the "Loans") in an amount not expected to exceed $127,445,000 to finance the acquisition, rehabilitation and permanent financing for the Stevenson Commons and Independence House developments described herein. All, or a portion, of the Loans may be initially funded with the Corporation's unrestricted reserves, and are expected to be insured under the Corporation's Risk-Sharing program with the U.S. Department of Housing and Urban Development ("HUD") and sold to the Federal Financing Bank (the "FFB").

Following is a description of the proposed uses of the Loans, the anticipated structure, security, other relevant terms, and a background of the FFB program.

Proposed Uses for the Loans

It is anticipated that the Corporation's unrestricted reserves, in an amount expected not to exceed $127,445,000, initially will be used to finance two senior mortgage loans, until FFB's purchase of the loans, for two (2) developments (the "Developments") as described in the chart below.

Development Name (Borough/Number of units)	Project Type	Loan	Expected Not to Exceed Amount
Stevenson Commons* (Bronx/948)	Mitchell-Lama Restructuring / Section 236 / Section 8	Senior Loan	$116,700,000
Independence House (Manhattan/120)	Mitchell-Lama Restructuring / Section 8	Senior Loan	10,745,000
		TOTAL SENIOR LOAN AMOUNT:	**$127,445,000**

* Existing financing for Stevenson Commons was previously approved by the Members in November 2005

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The proceeds of the Loan for Stevenson Commons will be used by the mortgagor, Stevenson Commons Affordable LLC for the purpose of paying for the costs of preserving Stevenson Commons, a HUD Section 236/ Mitchell-Lama development, totaling 948 residential units located in the Clason Point neighborhood of the Bronx. It is anticipated that a portion of the proceeds of the Loan will be used to refinance the existing indebtedness, fund substantial rehabilitation work, and recapitalize project reserves. This is the first partnership for the project sponsor, a group of three for-profit investors and developers, whose principals all have over a decade's worth of experience in affordable housing. Belveron Partners, LLC is a privately held investment firm focusing on preserving affordable and workforce housing across the United States and was an investor on two recently completed preservation projects with the Corporation, Keith Plaza and Kelly Towers. Low Income Housing Corp. (LIHC) is among the nation's largest owners of affordable housing and is currently invested in several projects in the Corporation's portfolio, including La Cabana. Camber Property Group's (CPG) main principals are Rick Gropper and Andrew Moelis, who both have prior experience at L+M Development Partners prior to forming CPG and closed in December of 2016 on PRC Fox Street with the Corporation.

The existing subordinate debt on the Stevenson Commons development is expected to be restructured in an aggregate amount not expected to exceed $18,040,000. Approximately $8,600,000 will be supported by a HUD Section 236 Interest Reduction Payment ("IRP") income stream and $9,440,000 will be restructured pursuant to a Purchase and Sale Agreement with the City of New York. The Project currently holds an expiring Rent Supplement contract with the U.S. Department of Housing and Urban Development for 378 units, which will be converted to a Project Based Rental Assistance Section 8 contract through the Rental Assistance Demonstration program. In addition, the Project was recently awarded 200 additional Project Based Vouchers through the Department of Housing Preservation and Development.

For more information on the Stevenson Commons project, please see Attachment A-1

The proceeds of the Loan for Independence House will be used by the mortgagor, IH Associates LLC, for the purpose of paying for the costs of preserving Independence House, a Mitchell-Lama development, totaling 120 residential units. Specifically, a portion of the proceeds of the Loan will be used to fund substantial rehabilitation work, recapitalize project reserves, and facilitate the long term preservation of affordable housing for households earning at or below 50% and 125% of area median income. The project sponsor is the non-profit developer West Side Federation For Senior and Supportive Housing, Inc (WSFSSH). WSFSSH was formed in 1976 by a coalition of social service agencies, religious institutions, and community organizations to create new housing to meet the diverse needs of the elderly and disabled.

The Independence House development is expected to benefit from a significant amount of grant funds and subsidy, structured as subordinate financing from the City. The development is located on the Upper West Side of Manhattan and is not currently in the Corporation's portfolio. An Article 78 proceeding was brought by the Tenants Association to delay a rent increase hearing; however, the matter was recently adjourned until June 8, 2017, which is the day after the scheduled rent increase hearing. The matter is likely to be withdrawn once documents with tenant rent protections are clearly understood by the Tenants Association. The Project also expects to benefit from a Project Based Voucher ("PBV") Section 8 contract through HUD's Project-Based Section 8 Housing Assistance Payments program.

For more information on the Independence House project, please see Attachment A-2.

Structure and Security

Each Loan will be structured as a senior permanent mortgage loan secured by the fee simple interest in each development. It is anticipated that each Loan will be originated with a term of up to 40 years and with an interest rate set by the FFB, to approximate the rate on a comparable Ginnie Mae security, plus a spread. Each Loan is expected to have mortgage insurance under the Risk-Sharing program with HUD with the Corporation assuming 50% of the risk, which is a requirement for participation in the FFB program.

Background of the FFB Program

In September 2014, the Members approved the Corporation's participation in the FFB Program, an initiative with HUD and the FFB, a federal corporation under the supervision of the U.S. Department of the Treasury. Under the program, the FFB purchases a beneficial ownership interest in mortgage loans that are originated by HFAs and insured with Risk-Sharing mortgage insurance. The FFB receives a purchaser pass-through rate, which will not exceed the interest rate on the mortgage loan and is expected to approximate the rate that the market is then providing on a comparable Ginnie Mae security. The proposed Loans are expected to be the Corporation's sixth and seventh transactions under the FFB Program. At the same Board meeting that this memo will be presented, the Members will be presented with the FFB Preservation Program Pilot, for loans meeting proposed program parameters.

Risks and Risk Mitigation

The primary risk associated with each Loan is a payment default by the borrower. The Corporation's staff believes that this risk is mitigated by strict underwriting, each borrower's financial strength and experience, respectively, and the Corporation's ongoing asset management and monitoring of the development. In addition, both projects will capitalize a debt service reserve equal to two months of debt service payments. Recapitalizing each development's existing reserves for future capital needs will further mitigate the repayment risk. In the event of a default, the Corporation's risk will be partially mitigated by the FHA Risk-Sharing mortgage insurance. The Corporation will be obligated to cover 50% of the total loss following a claim on the FHA Risk-Sharing mortgage insurance and has established additional loss reserves for such purpose. Corporation staff believes this is an acceptable risk given the mitigating factors and the favorable terms of FFB financing.

Deposits and Fees

The borrowers will pay an amount equal to their pro-rata share of the fees of bond counsel, if any, and the trustee, plus any additional funds that are required to compensate the Corporation for its management of the Loans or to reimburse the Corporation for certain costs incurred in connection with the redemption of the existing bonds.

The Corporation will also charge the borrowers an annual servicing fee of at least 0.20% on the outstanding principal balance of the senior mortgage loans or other applicable fees. The Corporation will receive an upfront premium and an ongoing premium of .375%, which is the Risk-Sharing mortgage insurance premium paid by the borrower and included in the interest rate.

Action by the Members

The Members are being requested to approve i) the making of two senior Loans in an aggregate amount not to exceed $127,445,000 (approximately $116,700,000 for Stevenson Commons and $10,745,000 for Independence House), initially funded with the Corporation's unrestricted reserves until purchase of the Loans by the FFB, for the preservation of such developments, ii) the entering into of a Purchase and Sale Agreement with the City of New York relating to the existing subordinate debt, and iii) the executions by an Authorized Officer of the Corporation of mortgage related documents and any other documents necessary to accomplish the financings.

Attachment "A-1"

Stevenson Commons
Bronx, New York

Project Location:	755 White Plains Road
HDC Program:	Mitchell-Lama Restructuring / Section 236 / Section 8
Project Description:	The project consists of the preservation of nine elevator buildings containing 948 residential units, community space, laundry rooms and administrative offices. 20% of the units will be affordable to households earning at or below 50% AMI, and 75% of the units will be reserved for households earning up to 80-125% of AMI.
Total Rental Units:	946 (plus 2 units for superintendents)

Apartment Distribution:

Unit Size	No. of Units
Studio	69
One bedroom	150
Two bedroom	474
Three bedroom	233
Four bedroom	22
Total Units*	948

* Total Units are inclusive of two 2 bedroom units for a superintendent and assistant superintendent

Expected HDC Permanent Financing Amount:	$103,000,000
Expected HDC Subordinate and Restructured Mortgage:	$15,918,264
Total Development Cost:	$127,194,276
Owner:	Stevenson Commons Manager LLC, whose members are Camber Property Group whose principals are Rick Gropper and Andrew Moelis, Belveron Real Estate Partners whose principal is Paul Odland, and Low Income Housing Corp. whose principal is Charlie Gendron.
Developer:	Camber Property Group whose principals are Rick Gropper, and Andrew Moelis.
Investor Limited Partner:	Belveron Real Estate Partners, Low Income Housing Corp
Credit Enhancer:	FHA Risk Share 50/50 (Permanent)

Attachment "A-2"

Independence House
Manhattan, New York

Project Location:	176 West 94th Street
HDC Program:	Mitchell-Lama Restructuring / Section 8
Project Description:	The project consists of the preservation of one twelve-story elevator building containing 120 residential units, two commercial spaces, community space, laundry rooms and administrative offices. 25% of the units will be affordable to households earning no more than 60% of AMI, and 75% of the units will be reserved for households earning up to 125% of AMI.
Total Rental Units:	119 (plus 1 unit for superintendent)

Apartment Distribution:

Unit Size	No. of Units
Studio	32
1 bedroom	87
2 bedroom	1
Total Units*	120

* Total Units are inclusive of one 2 bedroom unit for a superintendent

Expected HDC Permanent Financing Amount:	$9,480,000
Expected HDC Subordinate Mortgage:	N/A
Total Development Cost:	$42,048,254
Owner:	IH Associates LLC whose sole member is West Side Federation For Senior and Supportive Housing, Inc. (WSFSSH); and Independence House Corporation whose sole member is WSFSSH.
Developer:	West Side Federation For Senior and Supportive Housing, Inc. (WSFSSH). Board of Directors: Sheldon Fine (President), Reverend J. Duffell, Reverend A. Drummond, C. Gatewood, J. Perine, J. Sandorf, and L. Wishart.
Investor Limited Partner:	N/A
Credit Enhancer:	FHA Risk Share 50/50 (Permanent)